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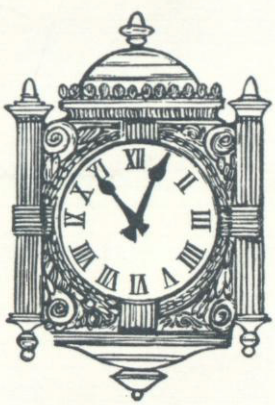


ANNUAL REPORT OF

MARSHALL FIELD & COMPANY

YEAR ENDED JANUARY 31, 1964

MARSHALL FIELD & COMPANY

founded in 1852
an Illinois corporation
incorporated in 1901

general offices:

25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

1963

ANNUAL REPORT TO SHAREHOLDERS

General Counsel
WILSON & McILVAINE
Chicago

Public Accountants
ARTHUR ANDERSEN & CO.
Chicago

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Chicago

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
New York

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
Chicago

BANKERS TRUST COMPANY
New York

THE STORY IN BRIEF

(in thousands of dollars)

	Fiscal Year		
	1963	1962	1961
Net Sales	$256,615	$242,399	$235,723
Income before Federal Taxes	19,040	18,490	18,317
Federal Taxes on Income	9,672	9,329	9,210
Net Income	9,368	9,161	9,107
Net Gain on Land Sale	2,250		
Net Income and Gain on Land Sale	11,618		
Per Common Share			
Net Income	2.33	2.26	2.25
Net Gain on Land Sale	.56		
Net Income and Gain on Land Sale	2.89		
Dividends Declared	1.50*	1.40	1.40
Cash and Securities	22,973	24,437	31,211
Accounts Receivable	34,387	30,086	28,662
Merchandise Inventories	37,852	34,878	33,816
Net Working Capital	64,782	61,386	65,634
Ratio of Current Assets to Current Liabilities	3.1	3.1	3.3
Property and Equipment Expenditures			
Modernization and Replacement	2,100	2,187	1,993
Expansion	4,377	4,137	6,987
Depreciation	4,518	4,325	4,120
Common Shareholders' Equity	110,773	104,959	101,542
Book Value per Common Share	27.49	26.13	25.31

* Annual dividend rate was $1.60 at the end of the fiscal year 1963, as the result of an increase in the quarterly rate from 35 cents to 40 cents in October 1963.

MARSHALL FIELD & COMPANY

The Board of Directors submits to the Shareholders this annual report for the fiscal year ended January 31, 1964.

Your Company achieved a record high sales volume of $256,615,000 for the year, an increase of 6 per cent over the preceding year. Net income was $9,368,000 compared with $9,161,000 in 1962. Net income per Common Share was $2.33 in 1963, $2.26 in 1962.

As reported in 1963, the Company also had a net gain on the sale of land in the Old Orchard shopping center, in Skokie, Illinois, of $2,250,000 during the year, or 56 cents per Common Share.

Our operating results for the year and other financial data are summarized on the opposite page.

The quarterly dividend rate of 35 cents per Common Share, established by action of the Board of Directors in March 1961, was increased to 40 cents in October 1963. This was the third increase since October 1959, and the annual dividend is now 42 per cent higher than the amount being paid prior to that time.

Your Company continues to maintain a strong cash position. Cash and securities at the year-end totaled $22,973,000 compared with $24,437,000 on January 31, 1963.

We exercised our option to prepay without premium, in March 1964, $1,000,000 of the principal amount of a long-term loan from the Metropolitan Life Insurance Company, thus reducing our funded debt to $24,000,000.

Merchandise inventories on January 31, 1964, were $37,852,000 compared with $34,878,000 a year earlier. A considerable part of the increase was accounted for by our new Aurora Village store in Seattle and by the enlargement of our Old Orchard store. Accounts receivable increased from $30,086,000 to $34,387,000. The ratio of current assets to current liabilities remained unchanged at 3.1.

The Company's minimum rent obligation under long-term leases is about $590,000 per annum.

Payments toward the 1963 cost of our Retirement Program were $1,040,000. On January 31, 1964, the market value of assets in our Pension Trust was $48,970,000. Since its establishment in 1943, a total of $13,742,000 has been paid out of the Trust to 4,967 retired employes, 3,577 of whom are currently receiving pension payments.

Our capital expenditures during the past year were $6,477,000, of which amount $2,100,000 was for the purpose of modernizing or replacing existing facilities, and nearly all of the balance for the construction and equipping of one new store and the enlargement of a second. Depreciation on all properties totaled $4,518,000. Again in 1964 we expect our capital expenditures on facilities now in operation to be well below our charge for depreciation.

Our second Seattle suburban store opened in July 1963 at Aurora Village to the north of the downtown area. The store has about 150,000 square feet of floor area, and will materially strengthen our position in the Seattle metropolitan market.

In August 1963, we opened a budget floor selling area of 45,000 square feet in previously unoccupied space in our Old Orchard store. This has stimulated our business at Old Orchard and accounts for the store's exceptionally large sales gains.

During the past year we completely modernized the main floor of our store in Lake Forest, Illinois. The building this store occupies was leased by us in 1930. While Lake Forest is our smallest store, it is now one of our most modern and attractive.

We are currently enlarging our Oakbrook store in west suburban Chicago and our Bellevue store east of downtown Seattle, in each case through the utilization of previously unoccupied space. Completion of both projects is expected this summer. In Bellevue, we are also planning extensive remodeling of existing departments.

In May 1963, we sold our Crabapple restaurant, located in the Old Orchard shopping center. This operation was entered into partly because of the difficulty several years ago of obtaining a satisfactory restaurant tenant in the center. The sale of Crabapple is in keeping with our present policy of confining our food-serving activities to our stores.

In 1963, we sold nine acres of land adjoining the Oakbrook Center. The developer intends to construct on this acreage a 1200-seat theatre, a nine-story motel and an office building, all of which will further enhance the appeal of this center. We continue to own additional acreage adjacent to both the Oakbrook and Old Orchard centers.

I am pleased to be able to report exceptionally strong current sales trends in our Old Orchard and Oakbrook stores, as well as in our Mayfair store located in a suburb of Milwaukee. I am also happy to state that our main store in Chicago, despite the impact of the recent opening of an unprecedented number of new outlying department stores in the Chicago area, experienced a sales gain in 1963. All of our stores operated profitably in 1963 but our greatest percentage sales gains have been taking place in our larger new stores.

Our year at Frederick & Nelson, in Seattle, was reasonably satisfactory compared with most recent years except 1962. The Seattle World's Fair,

open from April to October 1962, attracted many visitors to the city during that period, and apparently had a greater positive influence on our business than appeared to be true at the time. Also the economic climate in the Seattle area recently has not been as vigorous as has been the case in many other parts of the country.

We record with deep sorrow the death on August 30, 1963, of Mr. Myron C. Law, Vice President and General Operating Manager of Frederick & Nelson. Mr. Law had been in the employ of Frederick & Nelson since 1921. Widely respected in the community as well as in our own organization, he was a man of great integrity, and of exceptional knowledge and technical skill. His passing is mourned by his many friends throughout the Company.

Mr. M. L. Storhow has succeeded Mr. Law and is in charge of all operating functions of Frederick & Nelson. He has had wide experience in our organization and in recent years has been in charge of the construction and operation of our suburban stores in Seattle.

As recently announced, I have reached the regular retirement age for our Company and will retire on June 1 of this year. Mr. John McKinlay, Executive Vice President and Treasurer, has chosen to retire at the same time, as he is nearing retirement age. Mr. McKinlay started with the Company in 1931 and has had a most distinguished career, first as a merchant, and in recent years as our chief financial officer, responsible among other things for the supervision of our suburban expansion program.

It is the intention of our Directors to elect Mr. Gerald A. Sivage, now Executive Vice President and General Manager of the Chicago Stores Division, to the Presidency of the Company on the date of our Annual Meeting, May 6. He has had extensive experience in both the corporate and retail aspects of our business since he entered our employ in 1931. He has been in charge of our Chicago Stores Division since 1959.

It is also intended that Mr. David W. Davidson will succeed Mr. Sivage as Executive Vice President of the Company and General Manager of the Chicago Stores Division, and that Mr. Harry D. Perkins, now assistant to Mr. Davidson, will succeed him as Senior Vice President of the Company and General Merchandise Manager of that division.

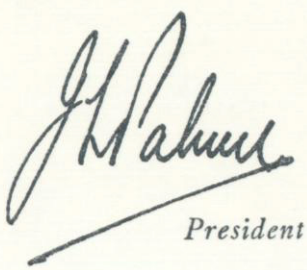
The Directors also plan to elect Mr. Earle Harrison, now a divisional Vice President, Vice President and Treasurer of the Company.

As I approach retirement I would like to express my personal gratitude to our management staff and our thousands of other employes. It has been a great privilege to be associated with men and women of such integrity and talent. Whatever success our business has achieved in recent years has been due in large part to the loyalty and skills of these associates of mine. I am grateful, too, for the support of our thousands of suppliers, the goodwill of our customers and the friendly attitudes of our sixteen thousand shareholders.

Your Company will be in very capable hands in the years ahead. I am extremely proud of, and have great confidence in, the man who will shortly succeed me, as well as in our entire management group. The Company is in strong financial position and I like to feel that it has made substantial progress in recent years. I look for this progress to continue in the years ahead.

As to the immediate outlook, I expect 1964 to be a good year for Marshall Field & Company, assuming present economic trends continue, and barring unfavorable developments in the international situation.

By Order of the Board of Directors,



President

March 18, 1964

MARSHALL FIELD & COMPANY

INCOME STATEMENT

	Fiscal Year Ended January 31, 1964	Fiscal Year Ended January 31, 1963
NET SALES	$256,614,758	$242,398,792
DEDUCT:		
Cost of goods sold and expenses, exclusive of items listed below	$222,887,054	$209,668,391
Maintenance and repairs	2,574,394	2,394,439
Depreciation and amortization	4,517,737	4,325,235
Taxes other than Federal income taxes	6,313,291	6,034,352
Rentals paid	917,150	1,084,022
Net interest expense	365,513	402,831
Federal income taxes	9,672,000	9,329,000
	$247,247,139	$233,238,270
NET INCOME FOR THE YEAR	$ 9,367,619	$ 9,160,522
Gain Realized on Sale of Land, less Applicable Federal Income Taxes	2,250,000	
NET INCOME AND GAIN ON LAND SALE	$ 11,617,619	

EARNED SURPLUS

BALANCE AT JANUARY 31, 1963	$76,627,637
Net income and gain on land sale	11,617,619
	$88,245,256
Cash dividends on Common Shares—$1.50 per share	6,035,565
BALANCE AT JANUARY 31, 1964	$82,209,691

MARSHALL FIELD & COMPANY BALANCE SHEET

	January 31, 1964	January 31, 1963
ASSETS		
CURRENT ASSETS:		
Cash	$ 9,422,578	$ 9,969,723
United States Government securities and other short-term investments, at cost	13,550,851	14,467,529
Receivables from customers and others, less allowance for doubtful accounts of $951,000 at the end of each year	34,387,146	30,085,942
Merchandise inventories, priced at the lower of cost or market	37,852,109	34,878,485
Prepaid insurance, supply inventories, etc.	990,072	1,100,425
Total Current Assets	$ 96,202,756	$ 90,502,104
PROPERTY AND EQUIPMENT:		
Land, at cost	$ 18,545,925	$ 18,569,298
Buildings, leaseholds and equipment, at cost	96,571,830	93,136,608
	$115,117,755	$111,705,906
Less—Accumulated depreciation and amortization	44,126,623	42,132,504
Net Property and Equipment	$ 70,991,132	$ 69,573,402
GOODWILL, TRADEMARKS, ETC.	$ 1	$ 1
	$167,193,889	$160,075,507

	January 31, 1964	January 31, 1963
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 8,312,086	$ 8,149,160
Accrued Federal income taxes	8,815,411	7,723,151
Other accrued liabilities	14,293,742	13,244,048
Total Current Liabilities	$ 31,421,239	$ 29,116,359
3¾% NOTES, maturing from 1972 to 1982	$ 25,000,000	$ 26,000,000
SHAREHOLDERS' EQUITY:		
Cumulative Preferred Shares—		
Authorized 150,000 shares of $100 par value, issuable in series; no shares issued.		
Common Shares—		
Authorized 8,000,000 shares of no par value. At January 31, 1963, options for 58,570 shares were outstanding and 134,880 shares were available for granting of options. During the year options were exercised for 11,390 shares, and none were cancelled or granted. At January 31, 1964, options for 47,180 shares were outstanding at $14.50 to $24.88 per share, of which 35,500 shares were exercisable currently; 134,880 shares were available for granting of options.		
Issued and outstanding 4,028,866 shares at January 31, 1964, at stated value	$ 19,615,365	$ 19,383,917
Paid-In Surplus	8,947,594	8,947,594
Earned Surplus ($41,746,657 available for dividends on Common Shares under terms of 3¾% Notes)	82,209,691	76,627,637
Total Shareholders' Equity	$110,772,650	$104,959,148
	$167,193,889	$160,075,507

AUDITORS' REPORT

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Shareholders of
Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of January 31, 1964, and the related statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the financial position of Marshall Field & Company as of January 31, 1964, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
March 4, 1964

BOARD OF DIRECTORS

EDWARD McC. BLAIR	*Partner, William Blair & Company*
JOHN M. BUDD	*President, Great Northern Railway Company*
KENT CHANDLER	*Director, A. B. Dick Company*
MARSHALL FIELD, JR.	*President and Publisher, Chicago Sun-Times and Chicago Daily News*
STANLEY FIELD	*Chairman of the Board, Chicago Natural History Museum*
HENRY P. ISHAM	*Chairman of the Board, Clearing Industrial District, Inc.*
WILLIAM V. KAHLER	*Retired Chairman, Illinois Bell Telephone Company*
HUGHSTON M. McBAIN	*Retired Chairman of the Company*
JOHN McKINLAY	*Executive Vice President and Treasurer of the Company*
JAMES L. PALMER	*President of the Company*
GERALD A. SIVAGE	*Executive Vice President of the Company*

CORPORATE OFFICERS

JAMES L. PALMER	*President*
JOHN McKINLAY	*Executive Vice President and Treasurer*
GERALD A. SIVAGE	*Executive Vice President*
DAVID W. DAVIDSON	*Senior Vice President*
CORNELIUS J. BYRNE	*Vice President*
HARRY D. PERKINS	*Vice President*
RALPH E. BOWERS	*Vice President and Secretary*
GEORGE G. RINDER	*Vice President and Comptroller*
CHARLES M. RHODES	*Assistant Treasurer*
ROBERT A. WILBRANDT	*Assistant Secretary*

DIVISION OFFICERS

Chicago Stores Division

VERLE L. BARBER	*Vice President, Merchandising*
EINAR L. BJORKLUND	*Vice President, Merchandising*
JOSEPH A. BURNHAM	*Vice President, Operating*
WILLIAM L. ENGLISH	*Vice President, Divisional Comptroller*
JOSEPH N. FIELD	*Vice President, Merchandising*
CHARLES W. FOLDS	*Vice President, Merchandising*
CLARENCE T. GREGG	*Vice President, Merchandising*
CARL GULDAGER	*Vice President, Advertising and Public Relations*
EARLE HARRISON	*Vice President, Operating*
CHARLES C. HOLLOWAY	*Vice President, Merchandising*
DONALD K. KEITH	*Vice President, Merchandising*
JOHN T. MOSS	*Vice President, Design*
LLOYD H. RICHMOND	*Vice President, Personnel*
WILLIAM C. STETSON	*Vice President, Merchandising*
PAUL H. STROHM	*Vice President, Merchandising*

Frederick & Nelson Division

JASPER UTZ	*Vice President, General Merchandise Manager*
M. L. STORHOW	*Vice President, Operating*

Mayfair Division

ARNOLD D. K. MASON	*Vice President, Merchandising*

STORE LOCATIONS

In the Chicago Area

Marshall Field & Company
111 North State Street, Chicago

Evanston
1700 Sherman Avenue, Evanston

Lake Forest
682 North Bank Lane, Lake Forest

Oakbrook
One Oakbrook Center Mall, Oak Brook

Oak Park
1144 Lake Street, Oak Park

Old Orchard
One Old Orchard, Skokie

Park Forest
333 Plaza, Park Forest

In the Milwaukee Area

Mayfair
One Mayfair Mall North
Wauwatosa, Wisconsin

In the Seattle Area

Frederick & Nelson
5th and Pine Streets, Seattle

Aurora Village
20218 Aurora Village Square North
Seattle

Bellevue Square
Bellevue, Washington

COMMERCIAL FURNISHINGS

Contract Sales Division

201 Merchandise Mart
Chicago